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**Nonprofit Entities Making Vending Machine Sales****Sales &  
Use tax  
notice**

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The Tax Reform Act of 2002 repealed the gross receipts tax payment option for vending machine sales effective **July 15, 2002**. Previous state law provided that operators of vending machines, defined in Tenn. Code Ann. Section 67-4-506 as machines that sell a tangible item (vend merchandise) with a market value roughly equal to the value of the money or money equivalent deposited into the machine, had the option of paying a gross receipts tax on the proceeds in lieu of the sales tax.

**Effective July 15, 2002**, Tenn. Code Ann. Section 67-4-506 was deleted; the newly added Tenn. Code Ann. Section 67-6-102(24)(I) mandated that all sales from these machines, on or after July 15, 2002, would become part of the sales tax base.

Effective immediately, all nonprofit entities, making vending machine sales, that are not registered for payment of the sales or use tax must register immediately and begin collecting and remitting the appropriate state and local sales or use tax on all vending machine sales. **The vending machine taxpayer is the person that removes the money from the machine according to the contractual agreement in effect for each machine.** Sales or use tax must be collected at the 7% rate on all non-food

items sold from vending machines and at the 6% rate for all food items sold from vending machines. In addition, a uniform local option sales tax rate of 2.25% must be collected on all items sold.

Upon registration, vending account taxpayers will be assigned an account number unique to sales or use vending-only accounts. Vending machine taxpayers who had sales or use tax accounts in effect as of July 1, 2002, and those accounts established after July 1, 2002, that have similar non-vending sales or use, will file their regular sales or use tax return for non-vending sales or use of tangible personal property and taxable services and will file a separate vending-only sales or use tax return.

All vending only sales or use tax accounts will be set up for quarterly filing. The initial filing period for vending-only sales will be July – September 2002. **The initial vending-only sales or use tax return will be due on October 20, 2002.**

Have questions or comments? Please let us know. [Contact us.](#)

Publication Date: August 2002